

August 1, 2000

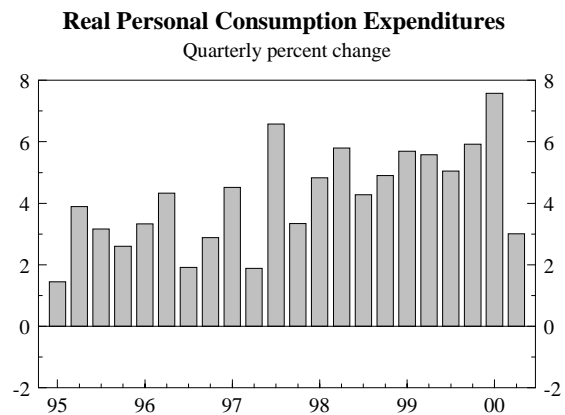
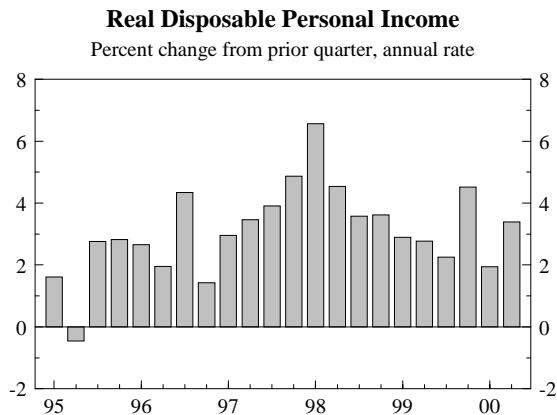
BACKGROUND INFORMATION

Personal Income and Outlays in June

(Released by the Bureau of Economic Analysis at 8:30 a.m.)

The Report

- Personal income rose a moderate 0.4 percent in June. Real disposable income -- income after taxes and adjustment for price changes -- was unchanged in June. The price index for consumption expenditures, which is used to deflate income, accelerated in June because of a jump in energy prices.
- Average real disposable income increased 3.4 percent at an annual rate in the second quarter, a pickup from the 1.9-percent gain in the first quarter. During the last three years, growth in real disposable income averaged 3.8 percent per year.
- Consumer spending, adjusted for price changes, rose 0.2 percent in June, its fourth month in a row of relatively modest growth following four months of strong increases that averaged 0.7 percent per month.
- Average real spending rose 3.0 percent at an annual rate in the second quarter, much slower than the large 7.6-percent gain of the first quarter. Motor vehicle purchases, which jumped 25 percent at an annual rate in the first quarter, declined 13 percent in the second quarter and contributed substantially to the slower growth in total spending.
- The personal saving rate edged down from 0.3 percent in May to 0.1 percent in June.



The Near-term outlook

- Moderate growth in spending appears likely in the coming months, but the underlying trend depends substantially on the strength of the volatile purchases of motor vehicles.